

FLOATING RATE · STRUCTURED CREDIT · TAX-EFFICIENT

Invest in *your future.*

A diversified credit strategy built to align with your goals for fixed income, compliment your existing holdings, and keep more after-tax wealth.

FOR ACCREDITED INVESTORS ONLY · STRICTLY
CONFIDENTIAL

RDCF
RELEVANCE DIVERSIFIED CREDIT
FUND

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Invest *with conviction.*

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"Rising rates have broken decades-long tailwinds for bonds. Future returns will depend more on strategy than on trend."

PORTFOLIO COMMENTARY

Fixed income, *redefined.*

The rules that governed bond investing for forty years have *quietly ended*. RDCF is built for what comes next.

\$18T

GLOBAL BONDS AT NEGATIVE YIELDS, 2021 PEAK

~4.4%

SOFR — FLOATING-RATE REFERENCE, Q3 2025

50%

CAPITAL-GAINS INCLUSION RATE, CONFIRMED 2025

Government of Canada bond yields peaked in September 1981 when the 3 and 10 year bonds yielded 19.25% and 17.96% respectively. From that point to 2020 yields slowly declined to 0.21% and 0.43% on the 3 and 10 year Government of Canada bond. It was a boom for fixed rate bond investors and masked what most bond investors want from fixed income — preservation of purchasing power.

Preservation of purchasing power means you should make more money when interest rates increase and you should be willing to accept a lower yield when inflation declines. Fixed rate bonds do the exact opposite. In contrast, floating rate bonds have a positive correlation to the direction of interest rates.

The problem is the majority of global bond issuance is fixed rate — approximately 85% of global issuance. Most investors have 85% or more of their fixed income allocation in fixed rate; we believe it should be closer to *40% fixed rate and 60% floating rate.*

01 Floating Rate

Coupons reset with SOFR / Euribor — duration risk is minimised at source.

02 Senior Secured

Exposure sits high in the capital structure, repaying gradually.

03 European Breadth

Geographic diversification away from a concentrated U.S. market.

04 Tax-Efficient

Cayman structure delivers returns primarily as Canadian capital gains.

A four-decade trend, *broken*.

The historical tailwind of falling rates has reversed. Fixed income is no longer a one-way bet — it demands careful duration and structure management.

PORTFOLIO COMMENTARY

December 2020

Historic lows

The Bloomberg Global Aggregate Negative-Yielding Debt Index peaks at ~\$18 trillion — an all-time high. Negative yields spread from sovereigns into high-grade corporates.

2022–2023

Regime shift

Fed and ECB hike aggressively to fight inflation — ending the four-decade trend of falling yields.

Sept 2025

Easing resumes

After a year-long pause, the Fed cuts 25 bps to 4.00–4.25%. SOFR drifts toward 4.1%; reinvestment risk rises for cash-heavy investors.

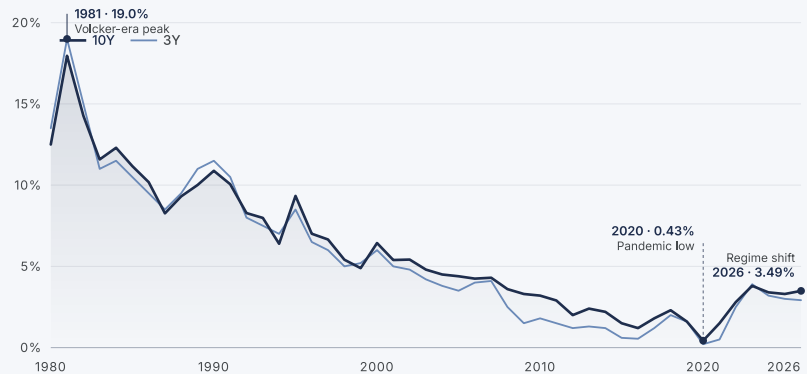
2026 →

A steeper curve

J.P. Morgan 4Q 2025 outlook: short rates drift lower while the 10-year stays anchored above 4% on deficits, sticky inflation, and term premium.

CANADIAN BOND YIELDS, 1980 - 2026

A four-decade descent from ~18% to near-zero — and a sharp reversal since 2022.



Interest rates reached historic lows after COVID-19. In December 2020 the Bloomberg Global Aggregate Negative-Yielding Debt Index peaked at ~\$18 trillion — the highest ever — with almost 30% of global bonds offering negative yields.

The 2022–2023 hiking cycle reversed the regime. Central banks raised rates rapidly to contain inflation, ending a four-decade trend of falling yields. In 2022 the US High Yield and Broad Canadian Bond Indices fell 11.5% and 11.8% respectively. Deficits, sticky inflation, and a rebuilt term premium now keep the 10-year anchored above 4%.

The old playbook — buying long bonds into a cutting cycle — is unlikely to work as well this time. Total returns in long-dated Treasuries are expected to come primarily from coupon, not capital appreciation. Credit strategy, duration discipline, and structure now matter more than direction.

Most investors hold 85%+ in fixed-rate strategies within fixed income. In this environment, 50%–60% *should likely be floating-rate* — a major reallocation.

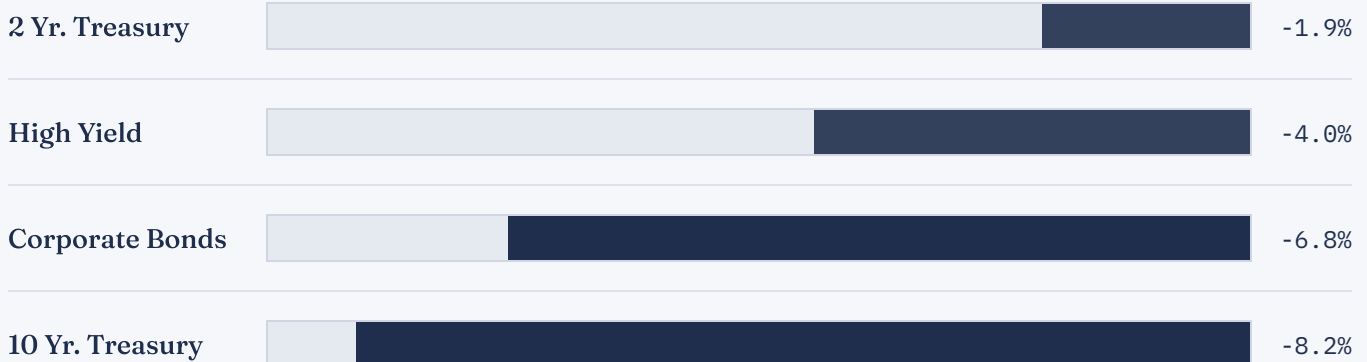
Fixed-rate income has a *fixed* problem.

Traditional fixed-income portfolios rely on numerous factors that determine the direction of interest rates and that are historically very difficult to forecast. Floating-rate strategies rely more on the credit quality of the individual issuer, with fewer influences — making them easier to forecast. In an environment where rates stay high or rise further, duration becomes a liability. Floating-rate credit — especially senior secured and structured formats — adjusts with short-term benchmarks like SOFR and Euribor, delivering steady income without the same downside.

Most investors fail to understand the risks of duration. In an extreme case, consider the 100-year Austrian bond issued in June 2020: a 0.85% coupon with a June 2120 maturity. As of April 2026 it trades at roughly 30.70 cents on the euro — a 70% decline from issue. Who thought you could lose 70% in a government bond?

IMPACT OF A 1% RISE IN RATES ON VARIOUS BONDS

Source: J.P. Morgan Guide to the Markets, most recent edition; Bloomberg Finance L.P. Illustrative parallel +1% shift; actual outcomes vary by coupon, curve shape, and spread movement.



THE PROBLEM

A rise in rates causes bond prices to fall.

With inflation proving stubborn and central banks less predictable, longer-duration investments suffer from price swings and losses. A 1% rise in rates can drive a 10-year Treasury down roughly 8% — equivalent to more than a full year of coupon income at current yields.

THE ANSWER

Floating-rate credit is built to perform when rates rise.

Coupons reset with short-term benchmarks. Senior secured positioning, shorter horizons, and gradual repayment reduce sensitivity to market swings. CLOs and structured credit add yield and protection — without the duration drag.

Beyond the *U.S. monopoly.*

The U.S. no longer holds a monopoly on credit quality. With political and fiscal risks on the rise, Europe offers a compelling alternative — stronger regulation, attractive spreads, and lower defaults.

MANAGER VIEW

European structured credit remains under-allocated in most global portfolios relative to the size of the market. Collateral standards and regulatory oversight are often more conservative than in North America yet these markets remain underrepresented in institutional portfolios.

Structural cracks are emerging in U.S. credit. Persistent fiscal imbalances, political gridlock, and rising debt-servicing costs challenge the long-standing assumption of U.S. exceptionalism. Expanding into European structured credit is not opportunistic it is a strategic hedge against regional concentration risk.

50–75 bps

EUR VS US PRICING DISLOCATION

European CLOs, RMBS, and CMBS tranches trade wider than comparable U.S. exposures despite equal or stronger risk profiles.

Lower

DEFAULT RATES VS U.S. EQUIVALENTS

Historical data shows smaller principal impairments across European deals once adjusted for structure.

<i>Europe</i>		<i>United States</i>	
Spread advantage	+50–75 bps	Spread level	Near cycle tights
Regulatory oversight	Stronger	Debt servicing	Rising
Default history	Lower	Political risk	Elevated
Analyst coverage	Lighter	Allocation bias	Overweight

Sources: TwentyFour Asset Management commentary on European CLO spread differentials [confirm specific publication + date]. S&P Global Ratings, "Global Credit Outlook 2026," December 3, 2025 — European trailing-12-month speculative-grade corporate default rate forecast at 3.25% by September 2026, down from 3.7%.

A structure built for *Canadian investors.*

Cayman-domiciled. Capital-gains treatment. *A better after-tax outcome* for Canadian investors seeking diversified credit.

RDCF is domiciled in the Cayman Islands as a non-resident corporate fund. For Canadian investors, interests in RDCF are generally treated as "offshore investment fund property" under section 94.1 of the Income Tax Act.

Under s.94.1, Canadian unitholders include an annual imputed income amount calculated using the CRA's quarterly prescribed rate applied to the cost amount of their interest. Gains realized on disposition of RDCF units are generally capital in nature — meaning only 50% of the gain is included in taxable income.

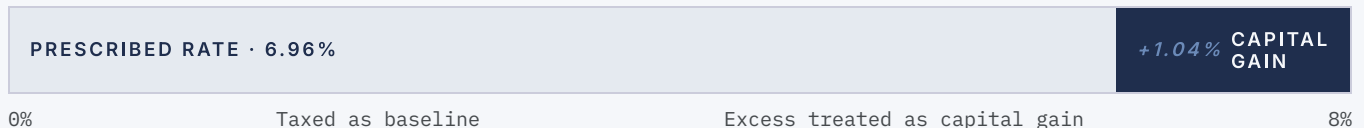
For investors whose returns exceed the prescribed-rate imputation over their holding period, the capital-gains component produces a materially lower after-tax outcome than fully taxable interest income.

50%

CAPITAL-GAINS INCLUSION RATE (CANADA)

Only half of capital-gains returns are taxable — materially lower than fully-taxable interest income.

ILLUSTRATIVE EXAMPLE · 2023 PRESCRIBED RATE VS RDCF RETURN



2023 ILLUSTRATION

\$150K

CAPITAL-GAINS RETURN ON ILLUSTRATIVE POSITION

Prescribed rate 6.96% · RDCF returned 8%. The 1.04% excess was treated as a capital gain — greatly benefiting investors on an after-tax basis.

AFTER-TAX EFFECT

~1/2

EFFECTIVE TAX RATE VS FULLY TAXABLE INTEREST

Because only 50% of capital gains are included in Canadian taxable income, the after-tax outcome is materially improved relative to bond-coupon income.

Illustrative only. Investors should consult their own tax advisor. Canadian tax treatment subject to change. CRA prescribed rate updated quarterly.

Five reasons *RDCF belongs* in the conversation.

A diversified credit solution designed for a higher-rate world — engineered for Canadian investors who want income without duration risk.

01 Floating-rate core

Coupons reset with SOFR and Euribor, minimising duration risk in a higher-for-longer environment.

02 Senior secured positioning

Exposure sits high in the capital structure with shorter horizons and gradual repayment profiles.

03 European breadth

Strategic diversification into a market where BB CLO tranches have historically traded 50–75 bps wider than U.S. equivalents at comparable ratings.

04 Tax-efficient wrapper

Cayman-domiciled structure is generally treated as offshore investment fund property under s.94.1, with gains on disposition taxed as capital gains — only 50% includable in Canadian taxable income.

05 Disciplined manager

A specialist credit team focused on structured formats that are underrepresented in most passive fixed-income allocations.

Relevance Investments